Business Executives' Expectations

A Quarterly Report from The Conference Board
Based on a Survey of Chief Executives

R4105-3T

Fourth Quarter 1983

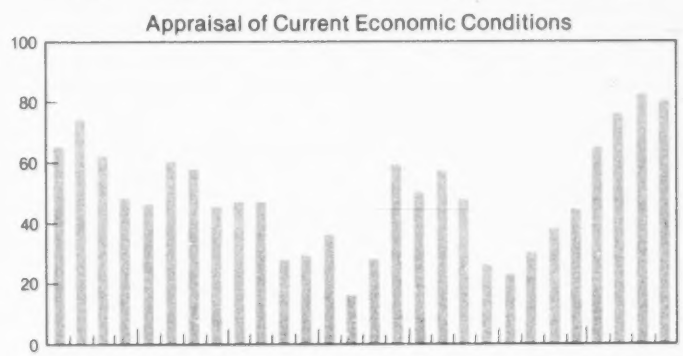
CONTINUATION OF STRONG BUSINESS CONFIDENCE

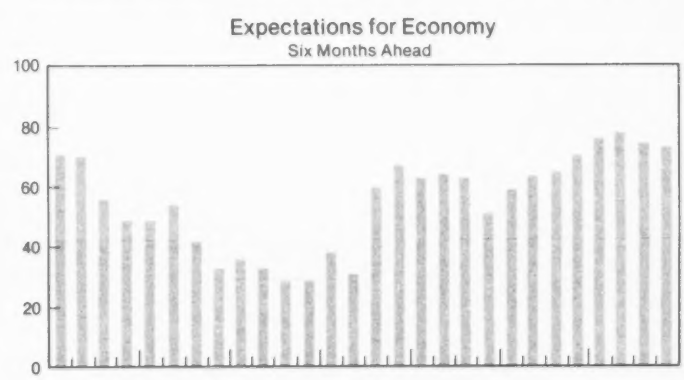
The sentiment of business leaders remains very positive. The Conference Board's Measure of Business Confidence was 74 in the fourth quarter of 1983 (on a scale of 0-100; see footnote to the table, over). This reading was essentially unchanged from the third quarter's 75 and was the third consecutive quarterly score of about 75. A score of 75 represents an average sentiment among business leaders that things are and will be "moderately better"—that current conditions are moderately better than those of six months ago, and that conditions six months hence will be moderately better than now. Respondents to this survey have always been very reluctant to check the "substantially better" answer to the survey questions. Therefore, an average response of "moderately better", is a very strong showing.

The Confidence Measure is based on responses to three questions—on the current situation of the overall economy, the economic outlook, and the outlook for each respondent's own industry. The fourth regular question, about current conditions in the respondent's own industry, does not enter into the Confidence Measure. None of the four question scores changed very much from the third to the fourth quarter; all remained roughly stable, at historically high levels. The scores reflect the direction in which the respondents think conditions are moving, not how good they think those conditions are on some absolute scale. Coming out of a recession, it is to be expected that there will be a widespread sentiment that things are improving, yielding high scores in this survey. As the recovery matures, there should be a decline in the number of respondents reporting that actual or expected conditions are notably better than past or current conditions, and such a decline will pull down the survey scores. This has not yet happened in any substantial way in the current recovery/expansion.

The special question in every fourth-quarter survey asks about respondents' expectations for after-tax profits in their own industries in the upcoming year. The latest survey found an extraordinary 75% expecting profits to improve in 1984, a record percentage by a considerable margin. (The previous record was 68%, in the fall of 1976 looking toward 1977 profits.) The score on the profits question, calculated in the same way as the scores for the other questions, was 71 in the fourth quarter. The previous high was 66; see table over. It should be noted that the question relates to the expected degree of change in profits, not to their absolute level or adequacy.

Lora S. Collins





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Profit Expectations for Upcoming Year

	10/76	11/77	11/78	11/79	11/80	11/81	11/82	11/83
Substantially better	10%	4%	2%	2%	8%	3%	9%	19%
Moderately better	58	42	28	18	51	39	52	56
Same	21	27	30	25	22	24	20	17
Substantially worse	1	2	4	9	2	5	4	1
Score (see note to table, below)	66	55	47	39	62	52	62	71

BUSINESS EXECUTIVES' EXPECTATIONS

	1980		1981				1982				1983			
	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.
MEASURE OF BUSINESS CONFIDENCE	49	63	58	61	57	43	47	52	55	60	70	76	75	74
1. Current Economic Conditions Compared With 6 Months Ago	28	59	50	57	48	26	23	30	38	44	65	76	82	80
2. Expectations for Economy, 6 Months Ahead	60	67	63	64	63	51	59	64	65	70	76	78	74	73
3. Expectations for Own Industry 6 Months Ahead	60	63	61	61	60	52	58	61	61	65	70	72	69	70
4. Current Conditions in Own Industry Compared With 6 Months ago	36	55	48	51	45	33	29	32	36	44	57	67	71	70

	3. Expectations for Own Industry, 6 Months Ahead						4. Current Conditions in Own Industry Compared With 6 Months Ago					
	1982		1983				1982		1983			
	Aug.	Nov.	Feb.	May	Aug.	Nov.	Aug.	Nov.	Feb.	May	Aug.	Nov.
Manufacturing	61	66	72	74	71	71	32	38	56	66	72	72
Food	58	63	65	67	61	59	49	48	56	60	62	61
Textiles	66	70	74	80	66	61	30	44	62	76	84	71
Apparel	69	71	72	75	75	68	43	46	56	76	79	80
Paper	66	69	77	75	75	70	33	42	59	70	76	79
Printing, Publishing	61	67	72	73	78	75	34	45	59	68	79	78
Chemicals	65	68	75	75	74	73	36	38	56	69	75	72
Petroleum	61	75	*	*	*	*	21	46	*	*	*	*
Rubber	66	74	76	73	73	75	42	47	65	64	73	71
Lumber, Furniture	57	63	74	78	67	67	41	43	59	75	76	72
Stone, Clay, Glass	54	65	77	79	62	70	38	51	59	73	65	72
Primary Metals	62	67	71	73	72	83	24	23	52	61	69	77
Fabricated Metals	61	62	72	76	71	69	31	32	54	63	74	69
Nonelectrical Machinery	57	62	69	69	71	75	20	31	49	59	64	69
Electrical Machinery	63	68	72	78	74	77	31	39	55	68	77	78
Transportation Equipment	57	61	73	71	72	75	30	37	61	67	66	79
Instruments	60	68	71	70	72	63	36	33	52	61	67	69
Mining	59	59	61	67	68	59	26	34	43	53	58	60
Construction	51	58	59	65	64	61	29	38	51	56	63	61
Transportation	65	68	73	76	72	69	40	36	61	66	73	71
Electric, Gas Utilities	61	64	63	68	66	68	43	45	52	60	65	68
Wholesale Trade	58	60	69	70	61	69	33	40	57	69	64	72
Retail Trade	63	69	74	80	73	74	42	46	63	76	75	80
Banking	60	64	65	70	67	68	39	56	59	68	72	67
Other Finance	68	73	71	73	66	69	51	76	75	82	79	69
Insurance	60	61	70	69	66	64	42	48	62	67	67	66
Business Services	66	62	71	76	77	73	45	41	59	68	76	80

The Measure of Business Confidence is the average of the scores for Questions 1, 2, and 3. There are five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the Measure of Business Confidence, thus can range from 0 to 100.

*Too few responses for tabulation.

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, call Linette Stein Waters at (212) 759-0900.

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